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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
St. Louis (2) Missouri

October 13, 1943

REA REQUIREMENTS FOR CONSIDERATION OF
LOCKER PLANT APPLICATIONS

Period of Loans: Loans for locker plants shall be on a 10-year amortization basis.

Location of Plants: The plant should be located in a "rural area" as defined in the REA Act; i.e., the plant should not be located within any city, village or borough having a population in excess of 1500 inhabitants.

Membership Requirements: All patrons of the locker plant shall be members of the cooperative owning the locker plant. Generally speaking, the plant should be constructed for the purpose of serving persons residing in rural areas. The initial sign-up should show that at least 55 percent of the patrons reside in rural areas. Locker plant cooperative borrowers, to insure continuous operation of the locker plant, should endeavor to secure members who expect to be permanent users. During the war period when rationing has influenced the thinking of many people along the lines of food preservation, townspeople and rural people working with war industries may be glad to rent a locker for the period of the war in order to insure their own home supply of meats and produce. However, REA loans are made available on the basis of a 10-year amortization period and each cooperative borrower should investigate thoroughly the type of membership which it is securing in order to be assured that the membership will not drop sharply after the war emergency. Farmers will be considered as more stable locker users than will be the townspeople or industrial workers.

Membership Fees: The minimum membership fee shall be \$10 paid in advance.

Signed Contracts for Service: The War Production Board requires that before it will accept any application for construction of locker plants, a minimum of 60 percent of the first year's rentals must be paid in advance and on deposit in the local bank. REA requires that 80 percent of the total number of lockers in a proposed plant must be rented on a contract basis for at least one year, and the prospective users of these lockers shall pay in advance one year's rental fee. It is suggested that at the time of solicitation for membership fees, the yearly advance rental fee be collected with the full understanding that, should the plant not be constructed, all of these rental fees will be returned to the prospective members. The recommended rental fees are \$12 and \$15 per year, depending upon the size of the locker.

Size of Locker Plants: The minimum number of lockers in a proposed locker plant shall be 300. It is recommended, however, that plants contain from 400 to 500 lockers for economical operation.

Cost of Locker Plants: The maximum cost of locker plants should not exceed \$40 per locker with an additional \$5 per locker for processing equipment and \$5 for slaughtering facilities.

First Steps in Organization of Locker Plants for REA Consideration: If it is the opinion of the Board of Directors of a local REA electric cooperative that a refrigeration locker plant is essential to the welfare of the community and that it would be self-sustaining and amortize the capital investment over a period of 10 years, the following steps should be taken:

2-REA Requirements for Consideration

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1. A preliminary survey of the area to be served should be made to ascertain the approximate number of farmers and other residents within a radius of 15 to 20 miles. This survey should also make special note as to the stability and permanency of the potential members; i.e., people who have established permanent homes or those who are engaged in seasonal or defense occupations. A spot check should be made of the prospective members to give emphasis to their real need for a refrigeration locker during and after the war period.
2. Type of food which would generally be stored in the lockers; i.e., fruit, meats, vegetables, etc.
3. After compiling this information, if it is still the opinion of the Board of Directors that a refrigeration locker plant would be desirable and practical, a request to the REA should be made, setting forth the facts found in the preliminary survey together with a formal request made for authorization to incorporate and proceed with preallotment organization. This request should be signed by the President or Secretary of the present REA local electric cooperative.
4. Upon receipt of approval to proceed with the preallotment organization, the local REA electric cooperative borrower should request of the Legal Division forms and instructions to incorporate a separate refrigeration cooperative and should begin to canvass the rural areas for memberships in the refrigeration locker plant.
5. After securing adequate memberships to insure the proposal for REA financing, and meeting all other requirements set forth above and those necessary for WPB approval, the Rural Electrification Administration can be requested to make an allocation of funds for the installation of the cooperative refrigeration locker plants. This shall be in the form of a resolution of the Board of Directors of the refrigeration cooperative. It will also be necessary for the Board of Directors of the established electric cooperative to adopt a resolution expressing its approval of the proposed loan and agreeing that the electric cooperative will guarantee the repayment of the loan to the refrigeration cooperative. Under the present REA policy loans for refrigeration locker plants are made directly to the refrigeration cooperative with the requirement that the repayment of the loan be guaranteed by the electric cooperative. It is also required that the refrigeration cooperative take out a membership in the electric cooperative and purchase all of its electric energy from the electric cooperative.

It is recommended that cooperative borrowers do not move hastily in the early formative stages of their refrigeration cooperative nor attempt any more than organizing and securing memberships for their locker plant. No unnecessary preallotment expenditures should be incurred during these early stages before an allotment of funds has been requested and approved. The cooperative should not hire an engineering firm or contract to buy any parcels of land for the plant without approval from REA.

6. At the proper time, after consideration by REA of all the preallotment data, the locker plant cooperative will be advised as to the next step in the construction of their plant and proper application of refrigeration.

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